

**Assembly Bill No. 1395**

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Passed the Assembly August 20, 2014

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*Chief Clerk of the Assembly*

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Passed the Senate August 18, 2014

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2014, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Sections 1872.81 and 12975.9 of the Insurance Code, relating to insurance.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1395, Perea. Insurance: special assessments: Seismic Safety Account.

Existing law requires a special purpose assessment of \$0.25, commencing July 1, 2014, until January 1, 2016, and not exceeding \$0.25 thereafter, on each vehicle insured under an insurance policy issued in this state by the insurer. Existing law specifies that, upon appropriation by the Legislature,  $\frac{2}{3}$  of the special purpose assessment be used for the purpose of funding the consumer service functions of the Department of Insurance related to regulating automobile insurers, as provided, and  $\frac{1}{3}$  of the special purpose assessment be used for the purpose of improving consumer functions of the department, related to regulating automobile insurers, as specified. Existing law also authorizes, upon appropriation by the Legislature, to use up to \$0.05 of the \$0.25 special purpose assessment revenues collected to notify insurers and other members of the public about the existence of any low-cost automobile insurance program.

This bill would raise the amount of the special purpose assessment to \$0.26, until January 1, 2016, and not exceeding \$0.26 thereafter.

Existing law created the Seismic Safety Account as a special account within the Insurance Fund with the funds to be distributed, upon appropriation by the Legislature, to the Alfred E. Alquist Seismic Safety Commission for the support of the commission and to the department for the actual administrative costs incurred in collecting the assessments. In order to fund the account, an assessment, as specified, is imposed on each person who owns real property, commercial or residential, that is covered by a property insurance policy.

This bill would provide that the insurer is not required to refund any portion of an assessment because the policy or coverage is terminated prior to the expiration date of the policy or coverage.

*The people of the State of California do enact as follows:*

SECTION 1. Section 1872.81 of the Insurance Code is amended to read:

1872.81. In addition to the special purpose assessment imposed pursuant to Section 1872.8, effective July 1, 2014, an insurer doing business in this state shall, until January 1, 2016, pay to the commissioner an annual special purpose assessment of twenty-six cents (\$0.26), and thereafter pay to the commissioner an annual special purpose assessment in an amount not to exceed twenty-six cents (\$0.26), as determined by the commissioner, for each vehicle insured under an insurance policy it issues in this state, for expenditure, upon appropriation by the Legislature, as follows:

(a) Two-thirds of the special purpose assessment shall be used for the purpose of funding the consumer service functions of the department that are related to regulating automobile insurers, including those functions performed by the rating and underwriting service bureau, the claims service bureau, the investigations bureau, or any successor bureaus of the department that may assume the consumer service functions of these bureaus, and legal services in support of these bureaus.

(b) One-third of the special purpose assessment shall be used for the purpose of improving consumer functions identified in subdivision (a) of the department that are related to regulating automobile insurers, including, for improving the ability of the department to respond to consumer complaints and information requests through the department's toll-free telephone number, and for improving the ability of the department to offer information about automobile insurance rates to the public.

(c) Upon appropriation by the Legislature, the department may use up to five cents (\$0.05) of the special purpose assessment revenues collected pursuant to this section to notify insurers and other members of the public about the existence of any low-cost automobile insurance program established pursuant to Section 11629.7 or other statutes that establish a program of the type identified in Section 11629.7. In requesting an appropriation for this purpose under its proposed plan developed pursuant to Section 11629.85, the department shall explain, with as much specificity as is reasonably possible, the objectives for the use of the funds

and the quantitative criteria by which the Legislature may evaluate the effectiveness of the department's use of the funds.

(d) The commissioner shall include, in the annual report submitted pursuant to Section 12922, all of the following information:

(1) The number of opened consumer complaints related to automobile insurance.

(2) The number of opened investigations related to automobile insurance.

(3) The number of investigations related to automobile insurance referred to prosecuting agencies.

(4) The number of administrative or regulatory cases related to automobile insurance referred to the department's legal division.

(5) The number of administrative or regulatory enforcement actions taken in cases related to automobile insurance.

(6) Total aggregate annual assessment revenue and expenditures pursuant to the assessment.

SEC. 2. Section 12975.9 of the Insurance Code is amended to read:

12975.9. (a) The Seismic Safety Account is hereby created as a special account within the Insurance Fund. Moneys in the account are available, upon appropriation by the Legislature, for the purposes of this section to fund the department and the Alfred E. Alquist Seismic Safety Commission.

(b) There is hereby imposed an assessment on each person who owns real property, commercial or residential, that is insured by a property insurance policy. The department shall calculate the annual assessment to be charged to each commercial and residential earned property exposure. The assessment shall be set annually every August 1, beginning August 1, 2014, for all commercial and residential earned property exposures reported during the previous calendar year. The annual assessment shall be set at fifteen cents (\$0.15) per earned property exposure for the first three years of the implementation of this section. Each year thereafter, the annual assessment shall be based upon the number of earned property exposures from both commercial and residential insurance policies, the amount required for the support of the Alfred E. Alquist Seismic Safety Commission, the actual collection and administrative costs of the department, and the maintenance of an

adequate reserve, but shall not exceed fifteen cents (\$0.15) per earned property exposure.

(c) The insurer, upon receipt of an invoice from the department, shall transmit payment to the department for deposit into the Seismic Safety Account. The insurer shall recover the assessment from the insured, unless the insurer elects to pay the assessment on the insured's behalf. The insurer may provide a description of the assessment to the insured as part of its billing statement. The insurer is not required to refund any portion of an assessment because the policy or coverage is terminated prior to the expiration date of the policy or coverage. Any deficiency or excess in the amount collected in relation to the appropriation authority for the commission and the department shall be accounted for in the subsequent annual fee calculation. Any balance remaining in the Seismic Safety Account at the end of each fiscal year shall be retained in the account and carried forward to the next fiscal year.

(d) Funds in the Seismic Safety Account shall be distributed, upon appropriation by the Legislature, to the Alfred E. Alquist Seismic Safety Commission for the support of the commission and to the department for the actual administrative costs incurred in collecting the assessments.

(e) Any assessment collected from an insured that has not been remitted to the department shall be a debt owed to the state by the insurer. This part does not impose any obligation upon an insurer to take any legal action to enforce the collection of the assessment imposed by this section.

(f) Payment of the assessment shall be considered delinquent if not paid within 45 days of the invoice date. The department is authorized to charge a late fee of 1.5 percent per month of the balance due, compounded monthly, for any amount not paid within this period in accordance with Section 12995.

(g) (1) Notwithstanding Section 10231.5 of the Government Code, the department shall report by December 1 of each year, beginning on December 1, 2014, to the Legislature, the Alfred E. Alquist Seismic Safety Commission, and the Department of Finance on the assessment calculation methodology employed.

(2) A report to be submitted to the Legislature pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.





Approved \_\_\_\_\_, 2014

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*Governor*